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17 November 1965

MEMORANDUM FOR: Mr. William Mazzocco, Special Assistant, Far East
Agency for International Development
Department of State

SUBJECT: South Vietnamese - Cambodian Rice Traffic

A brief memorandum on South Vietnamese - Cambodian rice traffic is attached for the use of your Office of Commodity Analysis.

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ATTACHMENT:

South Vietnamese - Cambodian Rice Traffic

CC: Mr. Walter Stoneman, D/AA/FE/AID
Department of State

Distribution: (S-1690)

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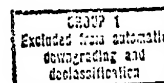
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South Vietnamese - Cambodian Rice TrafficSummary and Conclusions

The Viet Cong are almost completely reliant on internal supplies of rice, and it is doubtful that they directly engage in large-scale rice smuggling to or from Cambodia. Recent charges by Prince Sihanouk that Cambodia was losing a significant portion of its rice crop through smuggling to South Vietnam appear to be groundless. While small quantities of Cambodian rice are apparently acquired by the Viet Cong for use in the rice deficit area of South Vietnam's central highlands, rice smuggling has not retarded Cambodia's rice exports. On the contrary, there is substantial evidence that Cambodia has benefited from the smuggling of rice to Cambodia from the Mekong delta. Rice traffic in the delta appears to be within the pattern of traditional smuggling activity which, while utilized by the VC, is not directly operated by them.

I. Viet Cong Requirements and Internal Supplies

The annual rice consumption requirements of an estimated 100,000 to 120,000 full-time Communist military and political personnel is estimated at about 20,000 metric tons. VC rice requirements average about 5,000 metric tons for each of South Vietnam's four Corps areas but are reduced by an undetermined amount through Viet Cong self-production of corn and manioc, especially in the central highlands.

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Viet Cong supply requirements, as opposed to consumption requirements, are increased by the VC practice of fragmenting and duplicating food depots to avoid detection and allow greater troop mobility. Local guerrilla forces and the civilian population under VC control are expected to be self-supporting and have not been known to receive rice from VC political or military echelons in South Vietnam.

Internal supplies of rice in South Vietnam have been sufficient for Viet Cong needs except in the central highlands. In the Mekong delta, the VC probably acquire at least 100,000 metric tons of rice annually on the basis of the rice tax alone.* A sizeable rice surplus is probably also acquired in the VC controlled areas of the coastal lowlands of Central Vietnam. Only in the central highlands have there been persistent reports of VC shortages of rice. Consumption requirements in this area do not exceed 5,000 metric tons; and self-production, taxation, and seizure appear to meet the bulk of VC needs in this area.

In sum, VC acquisition of rice through taxation appears to generate a sizeable surplus in the Mekong delta and the coastal lowlands of central Vietnam. The Viet Cong have apparently not solved the logistic problem of transferring these supplies internally to the food-deficit central highlands. Although movements of rice from

* This estimate is based on a conservative 12 percent average tax on the rice produced in areas firmly under VC control.

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food-surplus to food-deficit areas have been undertaken by the Viet Cong, these supplies apparently have been inadequate for the Viet Cong to either abandon their self-production efforts or meet their basic rice consumption requirements in the central highlands.

II. Cambodia as a Source of Rice

In a 2 November broadcast, Prince Sihanouk re-iterated charges that Cambodian rice was being smuggled from the provinces of Kampot, Takeo, Kandal, and Prey Veng to South Vietnam (he says, "Cochinchina") because of a higher price in South Vietnam and that, therefore, Cambodia's exports were reduced. The provinces that Sihanouk cites are rice deficit areas in Cambodia and border on the rice surplus Mekong delta in South Vietnam. Despite a wide variety of intelligence information on smuggling on a wide variety of goods between Cambodia and the Mekong delta, rice traffic from Cambodia to the Mekong delta has not been reported. Although it appears exceedingly unlikely that any significant amounts of Cambodian rice have been shipped to the Mekong delta, it is possible that very small amounts have been smuggled into the Plain of Reeds or other border areas in the Mekong delta under VC control.

Sihanouk's claim that the rice price is higher in South Vietnam appears to be generally false. With a black market exchange rate of about 2 piasters per riel, the Phnom Penh price of 600 to 800 riels per 100 kilograms is almost twice the official Saigon price of 700 piasters per 100 kgs. In the Mekong delta, the official rice price closely reflects the actual selling price; and the price advantage

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rests with Phnom Penh. In the central highlands, on the other hand, prices of 2,000 piasters per 100 kgs. are common, and shipments to this area from Cambodia would be profitable.

There is no information to substantiate Sihanouk's charge that Cambodia's exports of rice have suffered during 1965. Sihanouk cites the figure of 400,000 metric tons for export, presumably referring to 1965. With at least two, and possible three, months not reflected in his data, it is possible that Cambodia will approach or exceed the record export of 488,000 metric tons reported in 1964. This would be in spite of a 7 percent drop in production during the crop year 1964-65.

It is possible, however, that relatively small amounts of Cambodian rice have been smuggled across the Cambodian border in the central highlands. Mimot, Snoul, and Stung Treng are the Cambodian cities most often cited as engaging in this traffic, and it appears likely that some rice is being acquired by the VC in this fashion. On the basis of the relatively small needs of the VC in this area, including stockpile requirements, this smuggling would not have a significant impact on Cambodia's legitimate exports of rice.

III. Rice Smuggling from South Vietnam to Cambodia

There is considerable evidence that South Vietnamese rice is being smuggled to Cambodia from the Mekong delta. Rice deliveries from the delta to Saigon exceeded 500,000 metric tons annually

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between 1959 and 1964, and reached a record high of 727,000 metric tons in 1963. Total deliveries during 1965 are not expected to exceed 400,000 metric tons. The presence of Cambodian goods, such as fish and livestock, and of Communist goods from Cambodia have been noted in volume in South Vietnam. The price advantage enjoyed by Phnom Penh appears to attract significant quantities of South Vietnamese rice in exchange for indigenous and imported Cambodian goods.

There is little evidence to suggest that rice smuggling to Cambodia is directly operated by the Viet Cong. Internal VC logistical needs would strongly militate against assigning a large number of personnel or sampans for the shipment of rice. VC trade operations between Cambodia and the Mekong delta have generally relied on established merchants and boat operators to handle transactions in non-military goods. In the case of rice, rice collectors and brokers are established, and normal smuggling channels are readily available.

It is impossible to estimate the quantity of rice being shipped to Cambodia; but the coincidence of booming Cambodian exports and sagging delta deliveries to Saigon provides strong evidence that the amount is significant. Large movements of delta rice are usually made by junk or barge on the principal branches of the Mekong, and this activity would require the collusion of national (customs, police, etc.) and provincial government officials in both South Vietnam and Cambodia.

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ORR/ERA
30 December 1965
S-1754

Communist Economic and Military Aid to North Vietnam, 1955-65

The expansion of modern industry and transportation in North Vietnam and the equipping and training of the military establishment have depended heavily on assistance provided by other Communist countries, primarily the Soviet Union and Communist China. North Vietnam has received roughly a billion dollars in Communist economic aid, of which almost 50 percent was provided by Communist China and approximately 40 percent by the USSR. (See Table 1). Production of military end items in North Vietnam is limited to some small ordnance; hence North Vietnam has depended on the USSR and China for both military equipment and training in modern weapons. While the total value of military assistance to North Vietnam is unknown, it must be well in excess of \$100 million. Although deliveries of major military equipment from both China and the USSR increased rapidly in 1964-65, the most striking addition to North Vietnam's weapons arsenal was the introduction of Soviet surface-to-air missiles in 1965 -- a development that put the USSR well ahead of China as a purveyor of military aid. Indeed the growing intensity of the struggle between China and the USSR for influence in North Vietnamese affairs is nowhere more evident than in the mutual recriminations over aid to North Vietnam's war effort.

Economic Aid

From 1955 through 1964 North Vietnam received more than \$956 million in Communist economic aid, by far the largest part of which served to finance the import of capital equipment for North Vietnam's long-term economic

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development plans. Some 40 percent of this aid, largely representing that extended in 1955, was in the form of grants. Since that time the bulk of economic assistance has consisted of long-term credits with low (generally 2 percent) interest rates. From 1955 through 1964 (S) foreign aid deliveries accounted for almost half of all North Vietnamese imports from the Communist area, as shown in Table 2 by the import surplus sustained each year.

Communist China provided \$457 million, or 48 percent, of all Communist economic aid extended to North Vietnam through 1964. Early Chinese aid was concentrated on rehabilitating transport and telecommunications facilities, and in expanding North Vietnam's light industry -- particularly rice, sugar, textiles, and various consumer goods. Since 1959, however, the Chinese have been engaged primarily in constructing several heavy industrial projects, including the iron and steel complex at Thai Nguyen and a number of power plants and chemical factories.

Soviet aid has consistently been directed toward North Vietnam's heavy industry, especially mining, manufacturing, and power. For the 1961-65 period the USSR undertook to aid in constructing eight power plants with a total capacity of around 200 megawatts, including the large Thac Ba hydroelectric plant, with a planned capacity of 120 megawatts. Coal mining and a beginning machine building industry have also been the recipients of Soviet aid.

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In 1965, following a two-year lull in new economic aid, North Vietnam was extended assistance by every Soviet Bloc country except Czechoslovakia. No information is available on the value of the 1965 agreements, but they are believed to involve much smaller assistance than the extensions of the 1959-61 period. The USSR extended the repayment period of earlier credits, *deferred settlement of* ~~declared a moratorium on~~ North Vietnam's 1965 clearing debt, and extended supplementary aid largely to the agricultural and power sectors. China signed two aid agreements, one involving economic and technical aid, and the other ^a loan agreement on which no details were given. Little information is available on European Satellite aid agreements in 1965, but they are believed to be of negligible significance.

Military Aid

The Vietnamese military establishment has relied primarily on Soviet and Chinese assistance for its hardware and training in modern weapons.

Aid from China and the USSR

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has been supplemented only marginally by weapons captured from the French ~~before 1954~~, by a limited range of small ordnance produced domestically, and recently by token deliveries of small arms and ammunition, trucks, and spare parts, from the Communist countries of Eastern Europe.

In 1964 and 1965 the scale of military aid increased sharply, and the USSR became by far the major source of weapons to North Vietnam. During these two years China supplied MIG 15/17 fighters, military transport planes and large numbers of military trucks, as well as providing advisers

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and training programs to the North Vietnamese army. In the same period the Soviet Union supplied North Vietnam with equipment for at least 15-20 surface-to-air missile sites; eight IL-28 jet bombers, twelve or more MIG-21 and about 20 MIG 15/17 jet fighters, as well as large numbers of Soviet military specialists. This Soviet equipment is worth some \$100 million and has been supplemented by large deliveries of anti-aircraft artillery and other military-associated equipment and materiel. Apparent Chinese resentment over being supplanted by the USSR as the leading source of military aid is reflected in recent Soviet charges, that China has been obstructing the Soviet program of military assistance to North Vietnam.

Table 1
 Approved For Release 2005/04/21 : CIA-RDP78T02095R000800020002-8
 Communist Economic Aid Extended to North Vietnam, 1955-65 a/

| | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1955-65 |
|---------------------|-------|-------|------|------|-------|-------|-------|------|------|------|---------|---------|
| Communist China | 200.0 | -- b/ | -- | -- | 100.0 | -- | 157.0 | -- | -- | -- | n.a. c/ | 457.0 |
| USSR | 100.0 | 7.5 | 11.8 | 20.7 | 25.0 | 200.0 | 3.9 | n.a. | -- | -- | n.a. d/ | 368.9 |
| European Satellites | 50.2 | 8.3 | 7.0 | -- | 2.5 | Neg1. | 62.5 | -- | -- | -- | n.a. e/ | 130.5 |
| Total | 350.2 | 15.8 | 18.8 | 20.7 | 127.5 | 200.0 | 223.4 | n.a. | -- | -- | n.a. | 956.4 |

- a. Insignificant amounts of aid have been extended by Albania, Mongolia and North Korea.
 b. A dash (--) indicates that no extensions are known to exist, although some may have taken place.
 c. New aid includes a grant in July and a credit in December; values not available.
 d. New aid includes a grant in February, a credit in July, and a grant and credit in December; values not available.
 e. All European Satellites made available new assistance except Czechoslovakia; although values are not available the amounts are believed to be small.

Table 2

North Vietnam's Trade with Communist Countries, 1960-64

| | 1960 | | | 1961 | | | 1962 | | | 1963 | | | 1964 | | |
|--|---------|---------|---------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|
| | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance |
| USSR a/ | 23.1 | 24.4 | -1.3 | 25.7 | 41.3 | -15.6 | 30.2 | 54.7 | -24.5 | 35.3 | 56.6 | -21.3 | 34.8 | 47.2 | -12.4 |
| European Satellites a/ | 21.9 | 32.1 | -10.2 | 15.7 | 25.5 | -9.8 | 22.3 | 21.9 | +0.4 | 19.0 | 22.0 | -3.0 | 22.4 | 14.8 | +7.6 |
| Communist China and Other Communist Countries b/ | 24.6 | | | 24.9 | | | 20.0 | 51.9 | -31.9 | 22.7 | 55.4 | -32.7 | 25.0 d/ | 60.0 d/ | -35.0 |
| Total s | 69.6 | 117.5 | -47.9 | 66.3 c/132.0 c/ | | -65.7 | 172.5 | 128.5 | -56.0 | 77.0 | 134.0 | -57.0 | 82.1 d/ | 122.0 d/ | -39.9 |

a. Derived from trade statistics published by the trading partner.

b. Exports are derived as a residual. Except for 1962-64, imports cannot be derived as a residual, because shipments of goods under grants-in-aid are excluded from trade statistics in the Soviet and Satellite handbooks. Data for 1961-64 include Cuba.

c. Estimated.

d. Preliminary estimate.